

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2012-13		FY 2013-14	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS		(\$ 179,000)		(\$ 180,000)
CASH FUNDS	\$ 62,075	\$ 550,000	\$ 52,575	\$ 162,000
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$ 62,075	\$ 371,000	\$ 52,575	(\$ 18,000)

*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 806 amends Nebraska Revised Statutes Sections 2-1203.01 and 2-1215 to authorize the State Racing Commission to license and regulate pari-mutuel wagering on historic horseraces.

Historic horserace is defined to mean a form of horserace that creates a pari-mutuel pool from wagers placed on a horserace previously held at a licensed racetrack.

The Commission may not issue a license for historic horseracing pari-mutuel wagering unless the county board of the county in which the licensed facility is located has approved the adoption of wagering on historic horseraces within the county.

As part of the regulation of historic horseracing, LB 806 provides that the Commission shall require enough of the historic horserace to be televised so as to maintain the integrity of such horserace before another wager takes place or before beginning another historic horserace.

The bill also makes using a device for pari-mutuel wagering on historic horseraces outside of a licensed racetrack enclosure a Class III misdemeanor.

LB 806 imposes a one-time licensing fee of \$1,000 for each machine used for pari-mutuel wagering on historic horseraces. This fee is collected by the Commission, remitted to the Treasurer and credited to the Historic Horseracing Distribution Fund, which is created by the bill, and is to be administered by the Department of Revenue. Administrative costs of the Department of Revenue are to be paid from the new fund.

The bill also imposed a gross receipts tax on sums wagered on historic horseraces at each licensed racetrack of 1% on receipts up to \$100 million, 1.5% on receipts between \$100 million and \$200 million, and 2% on receipts in excess of \$200 million. The revenue from this tax is also to be credited to the Historic Horseracing Distribution Fund.

After the Department deducts administrative costs, the revenue credited to the Historic Horseracing Distribution Fund is to be distributed equally to the Probation Program Cash Fund, the Violence Prevention Cash Fund, and the Compulsive Gamblers Assistance Fund.

Fiscal Impact:

Both the Department of Revenue and the State Racing Commission estimate the one-time licensing fee will generate \$400,000 of revenue, based on 400 devices being installed in the state, in FY2012-13.

The Department of Revenue estimates the bill will generate approximately \$16,385,000 in additional gross wagering subject to the gross receipts tax in FY2012-13. The Department also indicates that the expanded wagering on historic horse races is expected to reduce current charitable gaming receipts by 15% for keno and pickle cards in counties with licensed horse tracks resulting in a decrease to the General Fund (detailed below). 60% of all keno and pickle card proceeds are credited to the General Fund and 40% goes to the Charitable Gaming Cash Fund.

The State Racing Commission estimates the bill will generate approximately \$18,000,000 in additional gross wagering subject to the gross receipts tax in FY2012-13.

We believe, given previous fiscal note calculations, that the Department's estimate of additional gross wagering best reflects the potential impact of LB 806.

The State Racing Commission receives sixty-four one hundredths of one percent of the gross sum wagered by the pari-mutuel method at each licensed racetrack enclosure, which is credited to the Racing Commission's Cash Fund.

The fiscal impact to the various funds is summarized below:

<u>Fiscal Year:</u>	<u>Charitable Gaming Cash Fund:</u>	<u>Racing Commission Cash Fund:</u>	<u>General Fund:</u>
FY2012-13:	(\$ 119,000)	\$ 105,000	(\$ 179,000)
FY2013-14:	(\$ 120,000)	\$ 110,000	(\$ 180,000)
FY2014-15:	(\$ 121,000)	\$ 115,000	(\$ 182,000)

Historic Horseracing Cash Fund:

Licensing: Gross Receipts Tax:

FY2012-13:	\$ 400,000	\$ 164,000
FY2013-14:	\$ 0	\$ 172,000
FY2014-15:	\$ 0	\$ 181,000

The State Racing Commission estimates they will need 1.0 FTE to carry out the provisions of LB 806 and expenditures as follows:

	<u>Salary & Benefits:</u>	<u>Operating:</u>	<u>Travel:</u>	<u>Total:</u>
FY2012-13:	\$ 47,575	\$ 10,500	\$ 4,000	\$ 62,075
FY2013-14:	\$ 47,575	\$ 3,000	\$ 2,000	\$ 52,575

The Department of Revenue indicates minimal costs to implement the provisions of LB 806.

We find no basis to disagree with the Department of Revenue's estimate of fiscal impact or cost to implement LB 806.

We find no basis to disagree with the State Racing Commission's estimate of cost to implement LB 806.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Cindy Miserez	DATE	1/13/12	PHONE	471-2526
COMMENTS					
STATE RACING COMMISSION – I have no basis to disagree with statement.					

State Agency Estimate LEGISLATIVE FISCAL

State Agency Name: Department of Revenue		Date Due LFA: 01/12/2012			
Approved by: Douglas Ewald		Date Prepared: 01/11/2012			
Phone: 471-5700					
FY 2012-2013		FY 2013-2014		FY 2014-2015	
Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	(\$179,000)		(\$180,000)		(\$182,000)
Cash Funds	\$445,000		\$52,000		\$60,000
Federal Funds					
Other Funds					
Total Funds	\$266,000		(\$128,000)		(\$122,000)

LB 806 authorizes the State Racing Commission to license parimutuel wagering on historic horse races at licensed racetracks. The bill imposes a gross receipts tax on sums wagered on historic horseracing at each licensed racetrack of 1% on receipts up to \$100,000,000; 1.5% on receipts between \$100,000,000 and \$200,000,000; and 2% on receipts in excess of \$200,000,000. A tax return is submitted to the Department of Revenue monthly, on the 10th of the month following the wager. The bill also includes a one-time licensing fee of \$1,000 for each machine used for parimutuel wagering on historic horse races.

LB 806 also creates the Historic Horseracing Distribution Fund (HHDF) in the Department of Revenue. The Tax Commissioner shall remit all revenues collected for the tax on historic horseracing to the State Treasurer for credit to the HHDF. After the Department of Revenue deducts the administrative cost of the HHDF, one-third of the proceeds are to be distributed to each of the following funds: Probation Program Cash Fund, Violence Prevention Cash Fund, and Compulsive Gamblers Assistance Fund.

The bill is expected to generate approximately \$16.385 million in additional gross wagering subject to the gross receipts tax in the first year. However, the expanded wagering on historic horse races is expected to reduce current charitable gaming receipts by 15% for keno and pickle cards in counties with licensed horse tracks, resulting in a decrease to the General Fund of \$0.179, \$0.180, and \$0.182 million in FY2012-13 through FY2014-15, respectively. The net impact on cash funds is expected to be \$0.445, \$0.052, and \$0.060 million in FY2012-13 through FY2014-15, respectively.

Sixty percent of all keno and pickle card proceeds are credited to the General Fund and forty percent goes to the Charitable Gaming Cash Fund. For FY2012-13, it is estimated that the one-time licensing fee will generate \$0.400 million dollars. The summary of the effect on cash funds is shown below.

There will be minimal costs for the Department to implement the bill.

Fiscal Year	Charitable Gaming Cash Fund	Historic Horseracing Cash Fund		Total
		Licensing	Gross Receipts Tax	
2012-13	(\$119,000)	\$400,000	\$164,000	\$445,000
2013-14	(\$120,000)	\$0	\$172,000	\$52,000
2014-15	(\$121,000)	\$0	\$181,000	\$60,000

Major Objects of Expenditure

Class Code	Classification Title	12-13	13-14	14-15	12-13	13-14	14-15
		FTE	FTE	FTE	Expenditures	Expenditures	Expenditures
	Benefits.....						
	Operating Costs.....						
	Travel.....						
	Capital Outlay.....						
	Aid.....						
	Capital Improvements.....						
	Total.....						

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LB⁽¹⁾ 806 FISCAL NOTE

State Agency OR Political Subdivision Name: (2) Nebraska State Racing Commission

Prepared by: (3) Tom Sage Date Prepared: (4) January 12, 2012 Phone: (5) 402-471-4155

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2012-2013		FY 2013-2014	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	0	0	0	0
CASH FUNDS	\$62,075	\$57,000	\$52,575	\$115,200
FEDERAL FUNDS	0	0	0	0
OTHER FUNDS	\$400,000	\$400,000	0	0
TOTAL FUNDS	\$462,075	\$457,000	\$52,575	\$115,200

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

The Nebraska racing industry believes that there will be 400 historic racing machine installed in the state. I have spoke with the creators of the machine regarding the projected handle from the machines. They only could cite what other jurisdiction are handling on their machines. The creator indicated that Oklawn Park in Hot Springs, Arkansas is handling \$200,000,000 per year on 275 machines. They also cited that Kentucky Down in Franklin, Kentucky have handled \$20,000 since installing machine September 1, 2011.

I am going to take a more conservative approach and estimating the machines in Nebraska will handle \$125.00 day. So the Racing Commission estimates the handle per month would be \$1,500,000.

The Racing Commission is a cash funded agency and receives .0064 of the handle. So the estimated revenue for the Commission would be 115,200.

LB 806 has a provision that the Racing Commission collect a one-time fee of \$1000 per machine. The Commission then remits this fee to the State Treasurer to credit to the Historic Horseracing Distribution Fund. If 400 machines are installed the fee would be \$400,000.

I am estimating that these machine would be installed in January 2013.

Expenditures:

Develop proposed rules relating to licensing of historic racing, overall rules pertaining to historical racing and personnel, approval of types of wagers and reporting requirements.

Conduct hearings to adopt rules, file approved rules pursuant to statutory requirements.

Investigate historical racing pari-mutuel systems to insure integrity and security of the system designs, management, operations, and fairness to players.

Monitor historical racing to insure continuing integrity and security of the operations and fairness to players

Review existing historic racing operations in other jurisdictions

Investigate license applications to certify compliance with rules.

Monitor historical racing in the state.

MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2012-2013</u>	<u>2013-2014</u>
	<u>12-13</u>	<u>13-14</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Investigator	1 FTE	1 FTE	\$41,624.96	\$41,624.96
Benefits.....			\$5950	\$5950
Operating.....			\$10,500.00	\$3000.00
Travel.....			\$4,000	\$2,000
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				